LANXESS – Q2 2023 Roadshow

Getting prepared to emerge stronger

Investor Relations, August 2023

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Agenda

Measures to improve profitability initiated in Q2

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Q2 2023 strategic and financial highlights

- Envalior transaction closed April 1st
- Q2 EBITDA pre of €107 m significantly below prior year
- Earnings and margin remain burdened by weak demand, lower sales volumes and utilization below 60%
- Cash control: Net working capital further improved to 23.8% of sales (prev. year: 26.3%)
- Net debt significantly reduced to €2,863 m

Program FORWARD! initiated to address costs and structures

Envalior transaction resulted in substantial €1.5 bn book gain in Q2

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Q2 2023: Book gain of ~€1.5 bn recorded	
Enterprise Value of HPM	€2.5 bn
Net assets D/O	€0.93 bn
Book gain D/O	**€1.53 bn**

Going forward: Net loss reflected in P&L

- Challenging trading environment, PPA and interest payments burden Envalior results
- JV expected to report net losses

→ LANXESS will have to report a corresponding loss of ~€50 m per quarter in the financial result **(non-cash)**

→ Losses will be reflected in decreasing at-equity balance sheet value

LANXESS Group: Weak demand burdens results

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Inventory control and additional countermeasures underway

[€ m]	Q2/2022	Q2/2023	Δ	H1 2022	H1 2023	Δ
Sales	1,999	1,778	-11%	3,930	3,677	-6%
EBITDA pre	253	107	-58%	515	296	-43%
Margin	12.7%	6.0%		13.1%	8.1%	
CAPEX	92	67	-27%	151	126	-17%

Price	Volume	FX	Portfolio
-6%	-9%	-1%	+5%

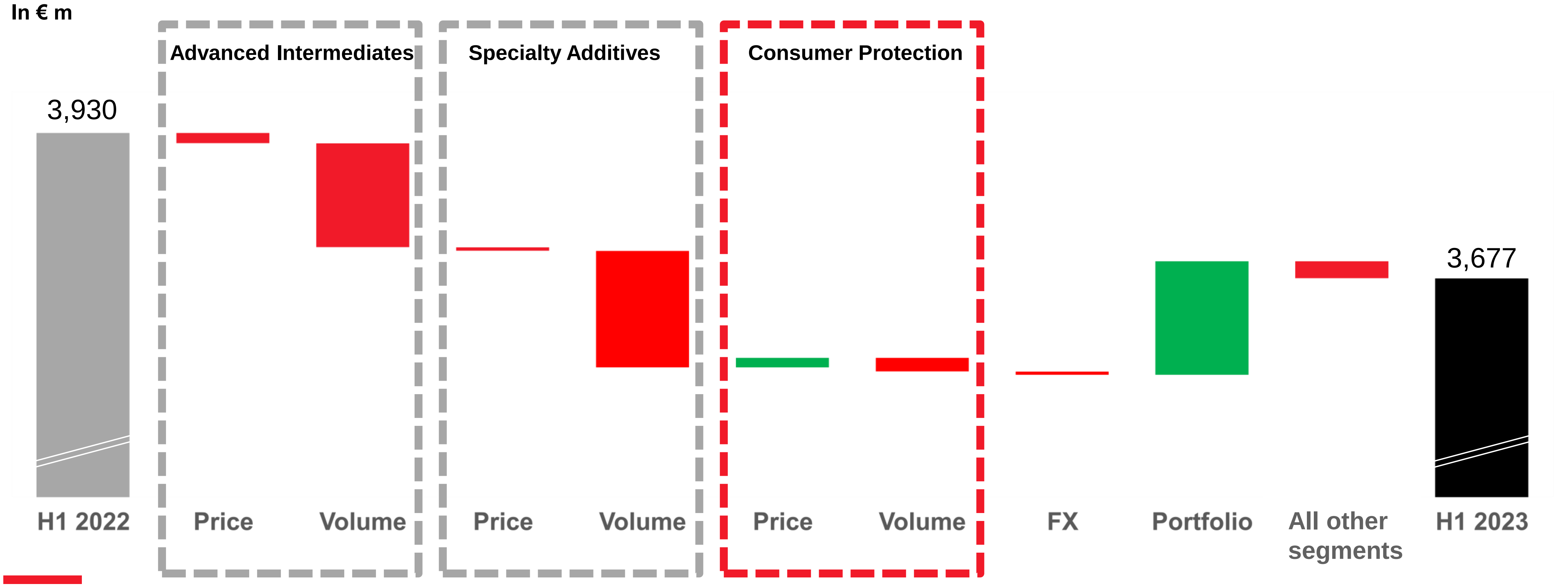
Total -11%

Q2 Sales vs. PY

- Broad improvement program FORWARD! initiated to address SG&A structures and operations
- Lower sales driven by continued volume decline across all segments and pricing, partly compensated by portfolio effect
- Demand weakened sequentially across almost all end markets
- EBITDA pre and margin burdened by low volumes and high idle costs due to inventory control

Consumer Protection comparably less impacted by challenging environment

Sales bridge highlights challenging demand in Advanced Intermediates and Specialty Additives



FY 2023 guidance:
EBITDA pre expected ~€600-650 m

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Our view on economic environment

- Currently no demand improvement expected in H2 2023
- Force Majeure on supply of Chlorine for BU Flavors & Fragrances continues

LANXESS outlook

- **FY guidance: EBITDA pre expected ~€600-650 m**
- **H2 2023 will benefit from lower cost base**
- **Focus on cash management:**
  - 2023 target: NWC to sales ratio of ~23%
  - CAPEX reduced to ~€350 m (prev. ~€400 m)

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1 Executive summary Q2 2023 and outlook

2 **We are taking action: FORWARD! and cash flow**

3 Building a stronger sustainable portfolio

4 Financial and business details Q2 2023

FORWARD!: Actively counteracting current weak market conditions

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Leadership is experienced in crisis management – Project FORWARD! initiated

Short-term measures

1 Ad-hoc measures
- Cost savings in admin functions
- Cost & Capex reduction

2 Structural measures
- Production site review
- SG&A reduction

Mid-term measures

3 Business excellence
- Enhancement of market approach
- Preparing for economic recovery

Sustainably improving profitability, cash-flow and margins

Program FORWARD! to generate ~€150 m cost savings

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Ad hoc measures in 2023 (1)

- ✓ Hiring freeze in Europe
- ✓ Strict cost and capex control
- ✓ Significant reduction in variable compensation
- ✓ Voluntary cut in fixed salary for Board (25%)

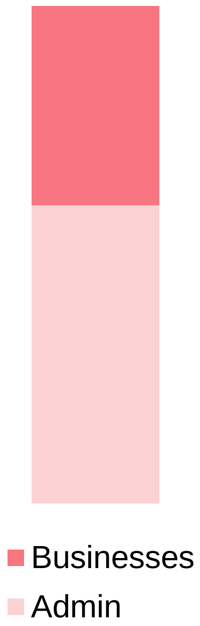
€50 m one-time cost savings + €50 m Capex savings

Safeguarding €600-650 m EBITDA pre in FY 2023

Structural measures (2)

Total Savings

~ €150 m



- Implementation starts in 2023
- Energy intensive plants esp. in Germany reviewed, two of which being evaluated for potential divestment or closure
- Majority of savings however coming from SG&A reduction
- ~€100m OTC expected in Q4 2023

	2024	2025
Savings	~€90 m	~€60 m
One-time cash-outs	~€50 m	~€30 m

Planned measures for production in Germany in the Advanced Intermediates Segment

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AII: Hexane oxidation plant in Krefeld-Uerdingen

Possible shutdown

- Operation extremely energy intensive
- High CO_2 footprint
- 61 employees
- Implementation by 2026 at the latest

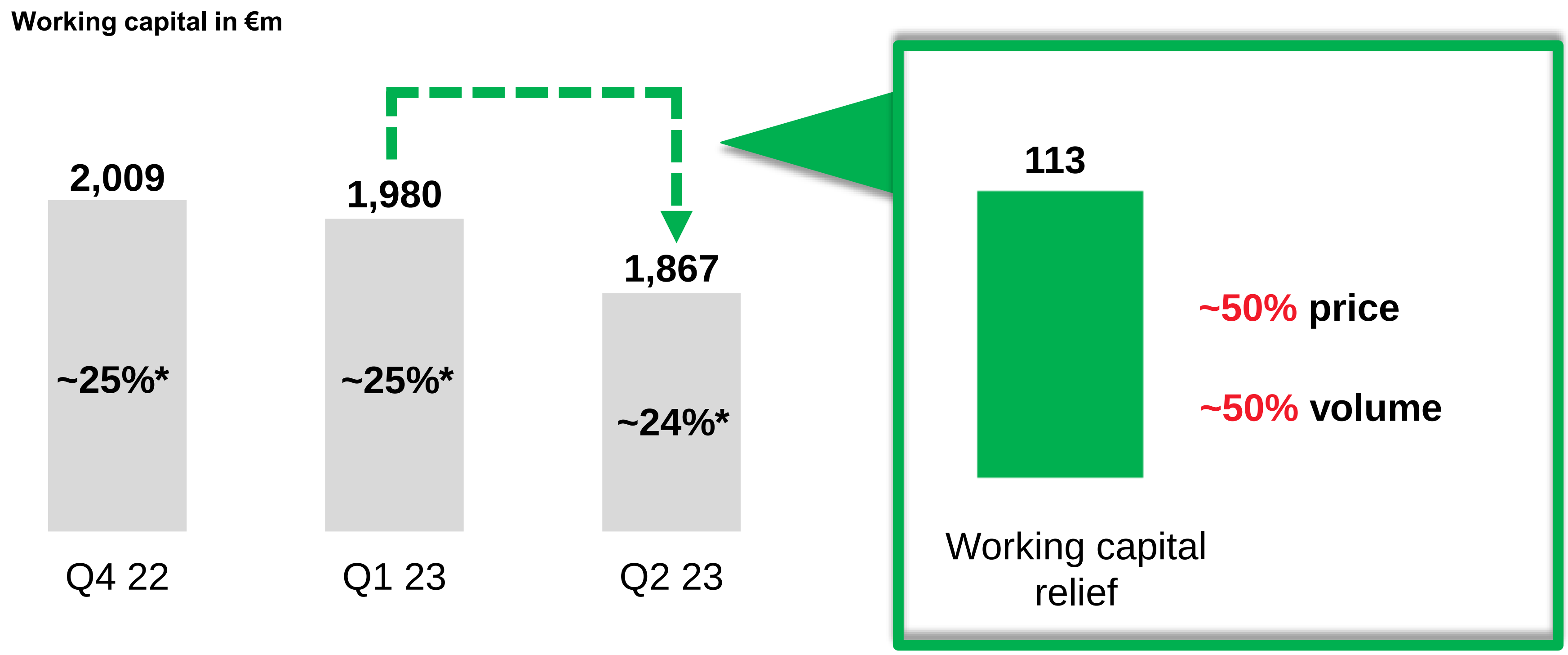
IPG: Chromium oxide production in Krefeld-Uerdingen

Sales process initiated - otherwise shutdown possible

- Energy-intensive customer industry (construction/ceramics) collapses
- Significant underutilization
- 52 employees
- Implementation by 2024

Improvement in working capital in Q2 2023 by active volume management

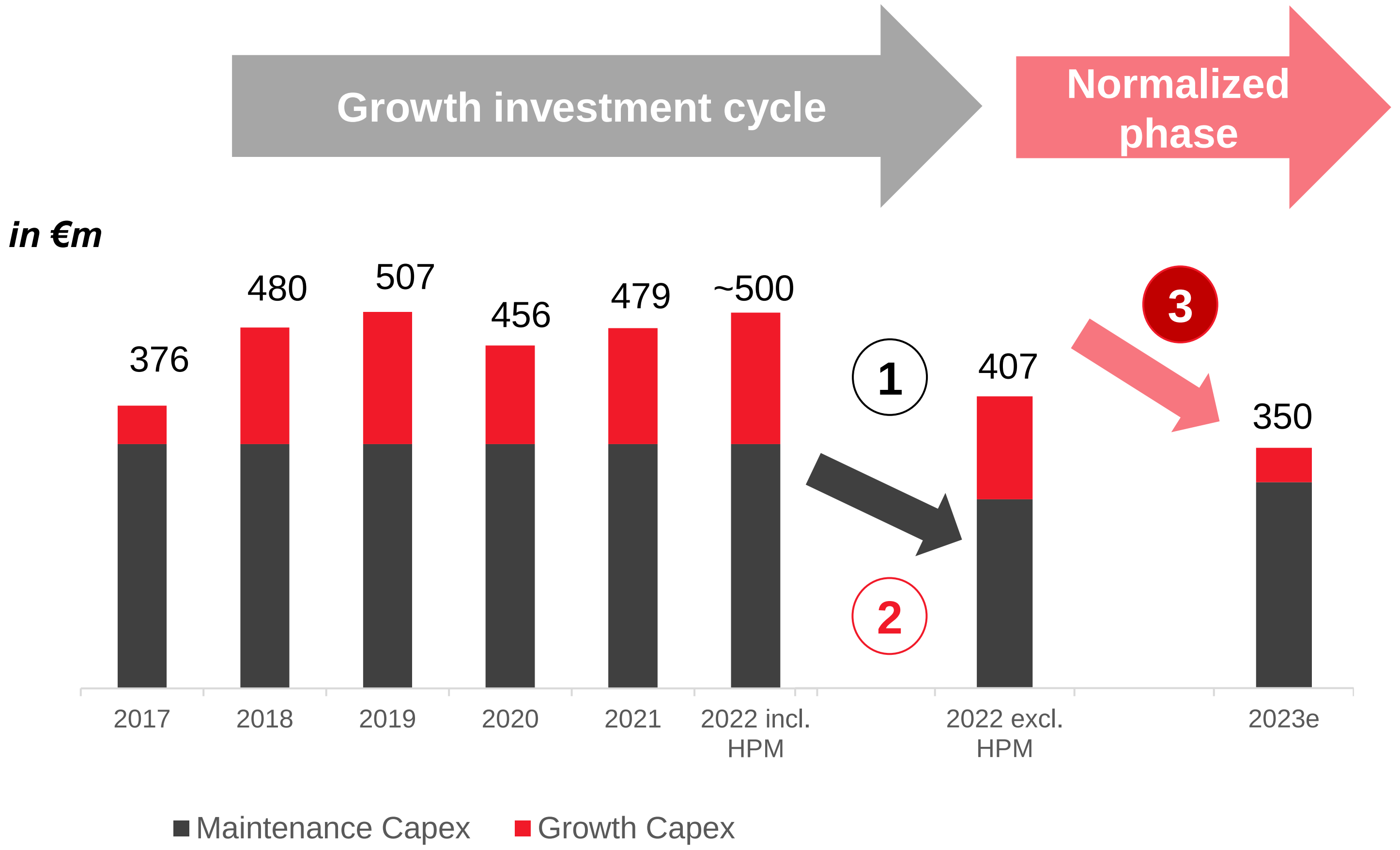
Focus across all BUs is on improving working capital



2023 target: Working capital to sales ratio of ~23%

* Working capital to sales ratio

Lower CAPEX after completion of growth investment cycle and HPM exclusion



1 **Maintenance CAPEX**

- €250-300 m new level (without HPM)
- Previously €300-350 m

2 **Total CAPEX**

- ~€400 m as normalized level
- In 2023 no major growth projects initiated yet

3 **CAPEX savings in 2023**

- €50 m as reaction to challenging environment in 2023

Lower CAPEX profile reflecting focus on lean assets

Proceeds from HPM transaction will reduce leverage significantly

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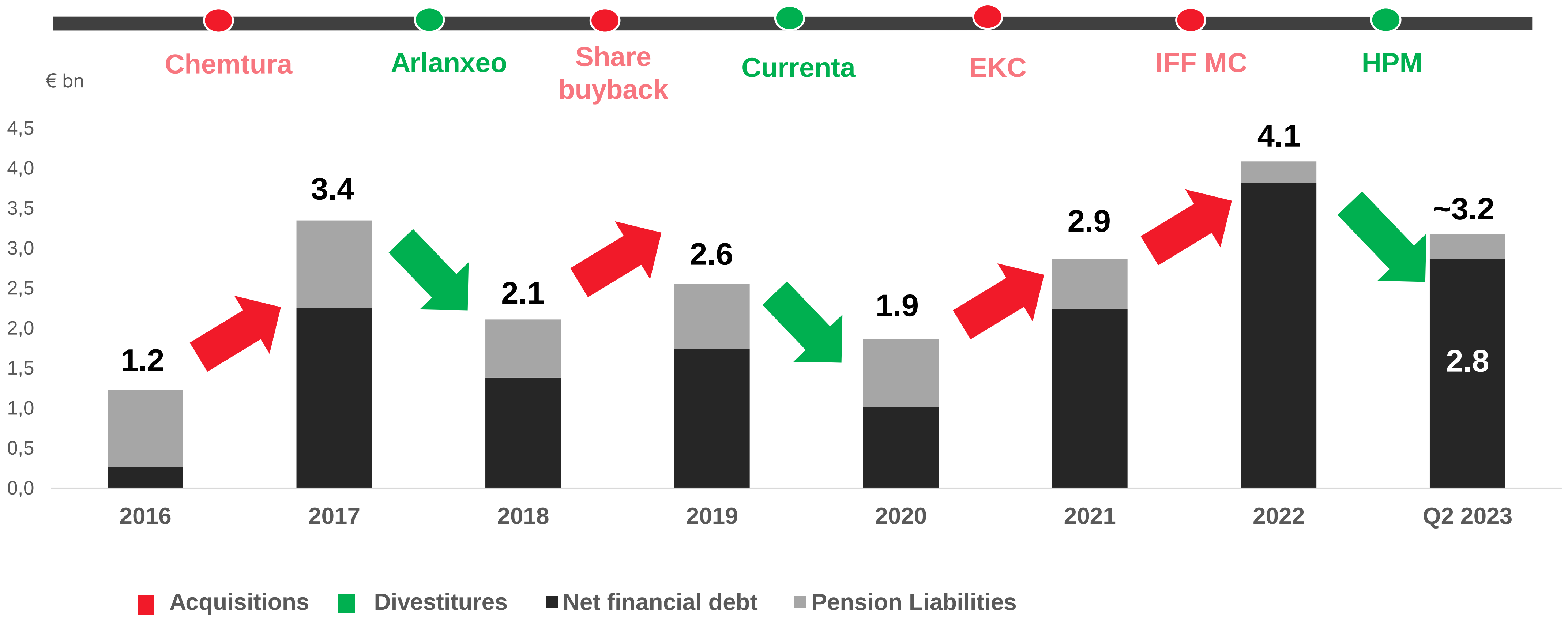

Rating agencies support our de-leveraging plan and confirmed investment grade rating

I Net debt defined as net debt incl. total financial assets; pension liabilities defined as pension obligation minus pension assets minus deferred tax assets

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LANXESS portfolio transformed towards a true specialty chemicals player

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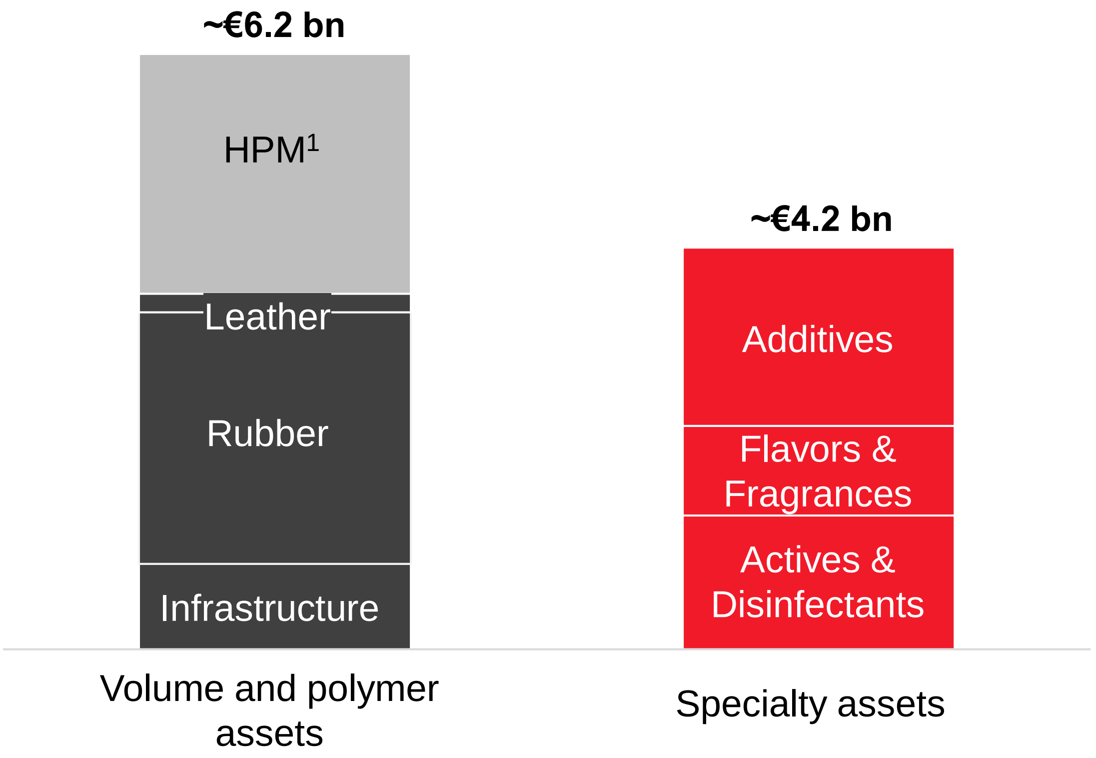
Portfolio transactions since 2016

Transaction values



Acquired businesses:

High profitability and cash generation

Asset light

Less cyclical

Divested businesses:

Lower profitability

Asset intensive

More cyclical

[1] HPM: High performance materials business (Polyamid); to be transfered to JV with Advent, closing April1 2023

Portfolio transformation increased US footprint…

Growth CAPEX and M&A spending since 2017[1]

Portfolio transformation focus:

- Chemtura
- IFF MC
- EKC
- Bolt-ons

! Strengthened Americas asset footprint

! German exposure further reduced

[1] Growth CAPEX spending and M&A activity in %; incl. HPM and pro forma IFF

…and led to a more balanced end-market exposure

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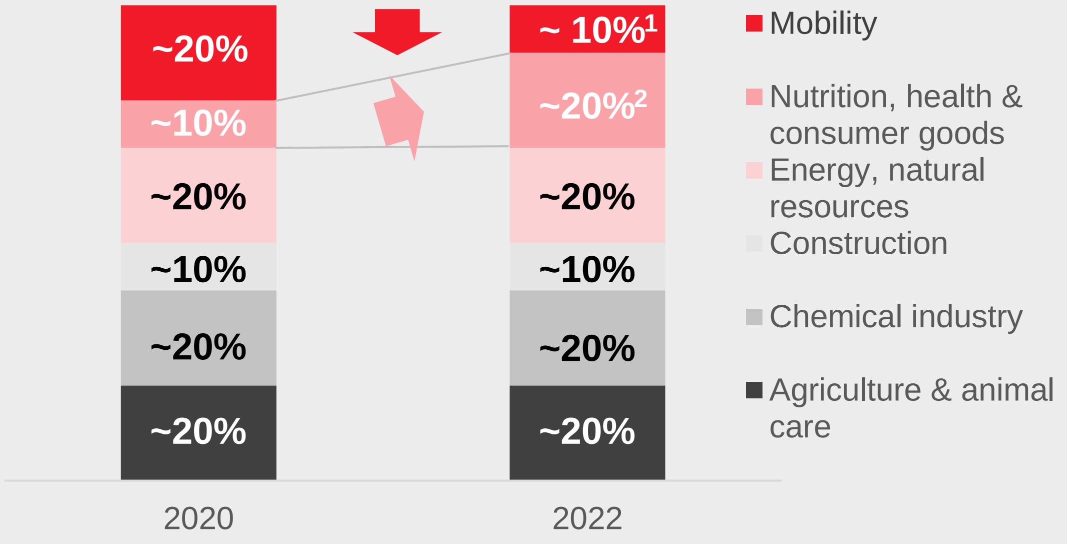
Balanced end-market exposure



! **Auto exposure reduced**

! **Higher portion of end-consumer focused markets**

[1] Includes sales in the automotive, aviation and shipping industries including relevant electronic components. 2 IFF MC contribution contributed half a year in 2022

Portfolio framework: Two growth-focused platforms and a stable backbone

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Consumer Protection	Specialty Additives	Advanced Intermediates
Growth focused		Stable backbone



% of group EBITDA pre[1]


~40%


~30%


~30%

Complexity reduced; Consumer Protection will stand for ~40% of EBITDA pre

[1] Pro forma split including IFF contribution and excluding HPM business

Leading ESG rating providers honor our performance

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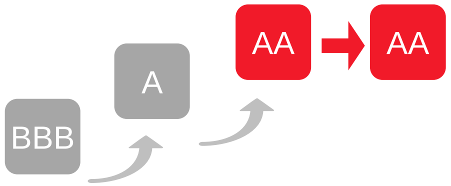
MSCI
ESG RATINGS

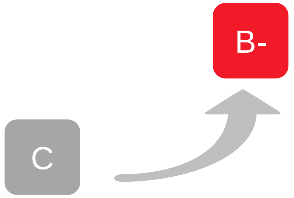
Rating recently confimed



2nd highest category for 2nd time

Convincing climate strategy and efforts to reduce water use

ISS ESG



Prime status

Top 8%

CDP
DISCLOSURE INSIGHT ACTION

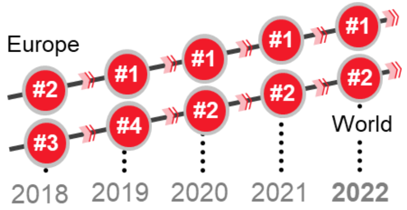
Rating recently confimed

6th time Climate A list
(among top 2%)

1st time A- rating for water disclosure

Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

Rating recently confimed



Top 10% in DJSI World
(12th year)
DJSI Europe (6th year)

We are rewarded for our efforts on sustainability that go beyond the must-haves

Bloomberg Gender-Equality Index 2023

3rd time in a row

PLATINUM Top 1% 2022 ecovadis Sustainability Rating

2nd time in a row

vigeoeiris

SUSTAINALYTICS

More information

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Consumer Protection: Portfolio effect overcompensates decline in price and volume

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Comparably stable

[€ m]	Q2/2022	Q2/2023	Δ	H1 2022	H1 2023	Δ
Sales	558	604	8%	1,064	1,251	18%
EBITDA pre	90	82	-9%	176	176	0%
Margin	16.1%	13.6%		16.5%	14.1%	
CAPEX	36	19	-47%	59	36	-39%

Price	Volume	FX	Portfolio
-5%	-3%	-1%	+17%

Total +8%

Q2 Sales vs. PY

- Sales increase driven by portfolio, however usually more stable consumer end markets also softened
- Comparably moderate volume-decline due to low demand and continued customer destocking intensified by supplier's Force Majeure* (BU F&F)
- EBITDA pre and margin affected by idle costs

* Force Majeure of Chlorine supplier

Specialty Additives: Inventory control amid low demand triggers decrease in earnings

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Price decline and low demand

[€ m]	Q2/2022	Q2/2023	Δ	H1 2022	H1 2023	Δ
Sales	764	620	-19%	1,494	1,284	-14%
EBITDA pre	134	37	-72%	270	135	-50%
Margin	17.5%	6.0%		18.1%	10.5%	
CAPEX	24	25	4%	37	48	30%

Price	Volume	FX	Portfolio
-4%	-13%	-2%	0%

Total -19%

Q2 Sales vs. PY

- Sales continue to decline against very strong prior year as volumes are weak for all BUs
- Price decline driven by flame retardants (construction and E&E) and RheinChemie while lubricants benefit from strong aviation
- EBITDA pre and margin burdened by low utilization amplified by active inventory control measures

Advanced Intermediates: Construction exposure burdens pigment markets

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Low utilization is a major burden

[€ m]	Q2/2022	Q2/2023	Δ	H1 2022	H1 2023	Δ
Sales	587	484	-17%	1,200	1,000	-17%
EBITDA pre	74	23	-69%	161	67	-58%
Margin	12.6%	4.8%		13.4%	6.7%	
CAPEX	19	17	-11%	37	33	-11%

Price	Volume	FX	Portfolio
-9%	-7%	-1%	0%

Total -17%

Q2 Sales vs. PY

- Sales decreased as lower energy and raw material costs were passed on
- Volumes decline in both BUs due to lower demand in all customer industries, especially construction
- EBITDA pre and margin impacted by inventory reduction on top of weak demand and resulting idle costs

P&L Q2: Earnings decline in a challenging demand environment

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[€ m]	Q2/2022		Q2/2023		yoy in %
Sales	1,999	(100%)	1,778	(100%)	-11%
Cost of sales	-1,515	(-76%)	-1,467	(-83%)	-3%
Selling	-241	(-12%)	-240	(-13%)	0%
G&A	-71	(-4%)	-71	(-4%)	0%
R&D	-26	(-1%)	-25	(-1%)	-4%
Financial result	-30		-101		>-100%
Net Income	**93**		**1,371**		**>100%**
EPS	**1.08**		**15.88**		**>100%**
EBITDA	229	(11%)	81	(5%)	-65%
thereof except.	-24	(-1%)	-26	(-1%)	-8%
EBITDA pre except.	**253**	**12.7%**	**107**	**6.0%**	**-58%**

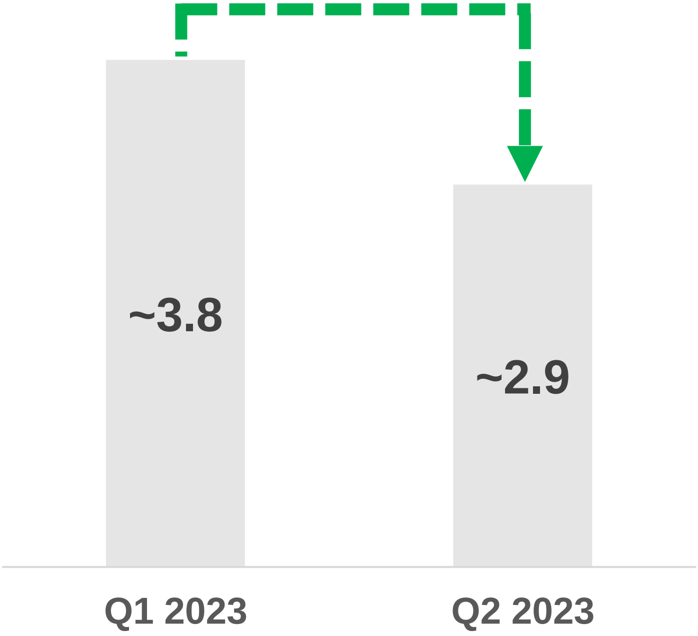
- Sales below prior year; lower prices and volumes mitigated by portfolio effect
- Selling, G&A and R&D: Increase from portfolio offset by first effects of cost saving measures
- Financial result reflects Envalior JV
- Net income contains book gain from HPM disposal
- EBITDA pre and margin impacted by low utilization and resulting idle costs

Figures from continuing operations only (except net income and EPS)

Debt reduction ongoing – ample liquidity available

Reduced net debt

in € bn



Solid financing framework

No maturities until May 2025

ø interest costs at 1.2%

Ample liquidity (~€2 bn*) and NO financial covenants

Commitment to solid investment grade rating – track record in reducing leverage after acquisitions

* € 1 bn undrawn revolving credit facility plus committed credit lines

Working capital measures yield effect

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[€ m]*	Q2/2022	Q2/2023	Δ
Profit before tax	**67**	**-157**	**-224**
Income from investments accounted for using the equity method	0	78	78
Depreciation & amortization	132	137	5
Income taxes	27	-22	-49
Changes in other assets & liab.	-18	-98	-80
Changes in working capital	-86	115	201
Others	28	14	-14
Operating cash flow	**150**	**67**	**-83**
Capex	-92	-67	25
Free cash flow	**58**	**0**	**-58**

- Lower profit before tax due to weak operational result and at equity result
- Income taxes in 2022 include reimbursements
- Other assets and liabilities reflect mainly release of provision for variable compensation and bonus payout for 2022 in April
- Capex reduced in context of cost saving measures
- Working capital improved based on inventory control measures

* Applies to continuing operations
Free cash flow = Operating cash flow minus capex

Net financial debt significantly decreased

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[€ m]	31.12.2022	30.06.2023
Total assets	**11,287**	**10,808**
Equity	4,427	5,613
Equity ratio	**39%**	**52%**
Net financial debt[1]	**3,814**	**2,863**
Pension provisions	**367**	**380**
Net working capital	**2,009**	**1,867**
DSI (in days)[2]	85	85
DSO (in days)[3]	39	40

- Lower total assets mainly due to debt reduction following closing of Envalior transaction
- Higher equity reflects gain from deconsolidation of BU HPM
- Net financial debt significantly reduced after receipt of proceeds from Envalior transaction
- Pension provisions increase slightly due to lower interest level
- Working capital decrease based on inventory control measures

[1] Deducting cash, cash equivalents, near cash assets, short-term money market investments
[2] Days sales of inventory calculated from quarterly sales
[3] Days of sales outstanding calculated from quarterly sales

Q2 2023: Higher sales from portfolio effect in Consumer Protection mitigates lower sales in both other segments

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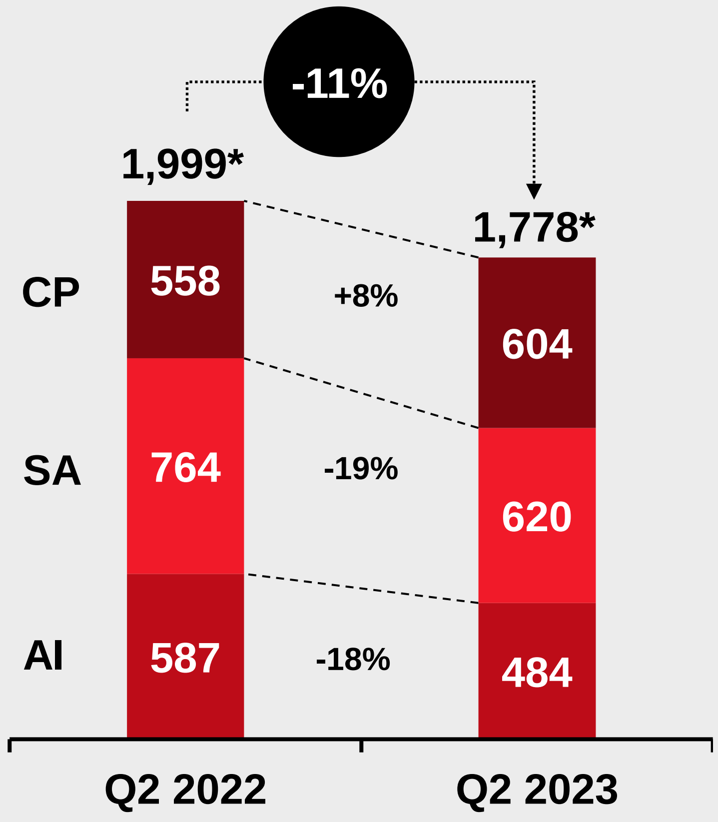
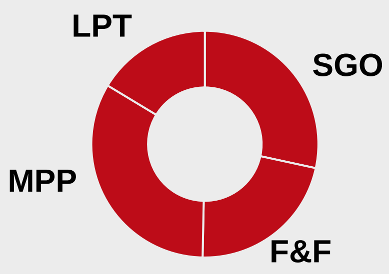
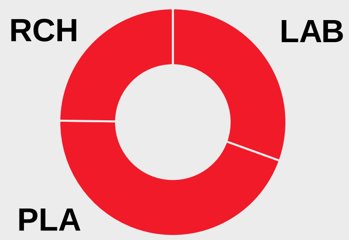
Sales [€ m]



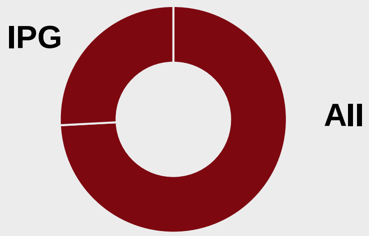
Consumer Protection



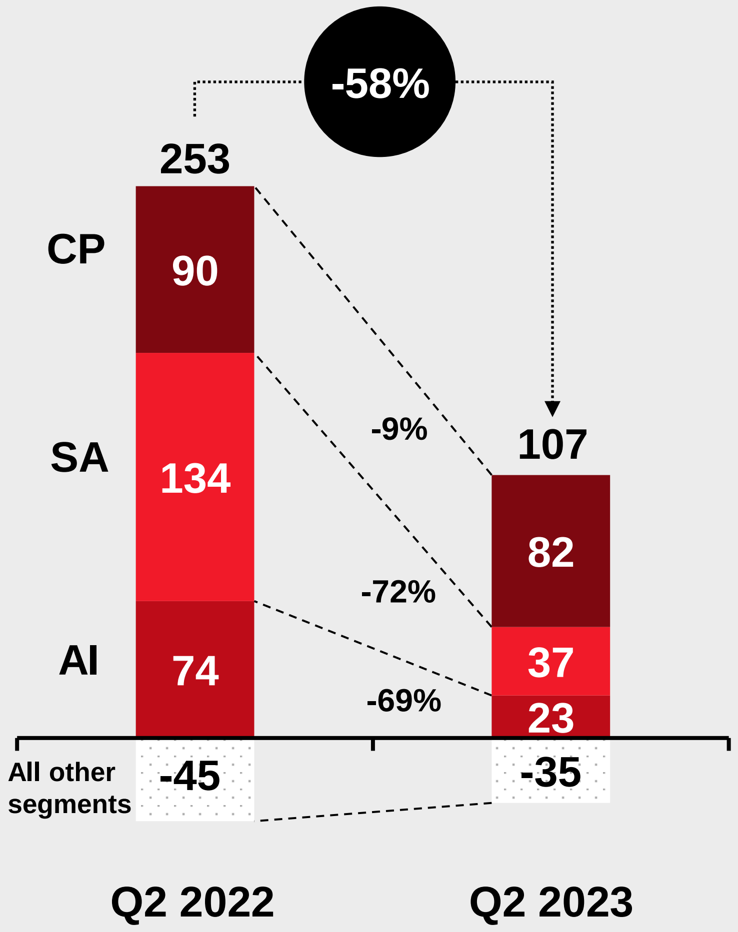
Specialty Additives



Advanced Intermediates



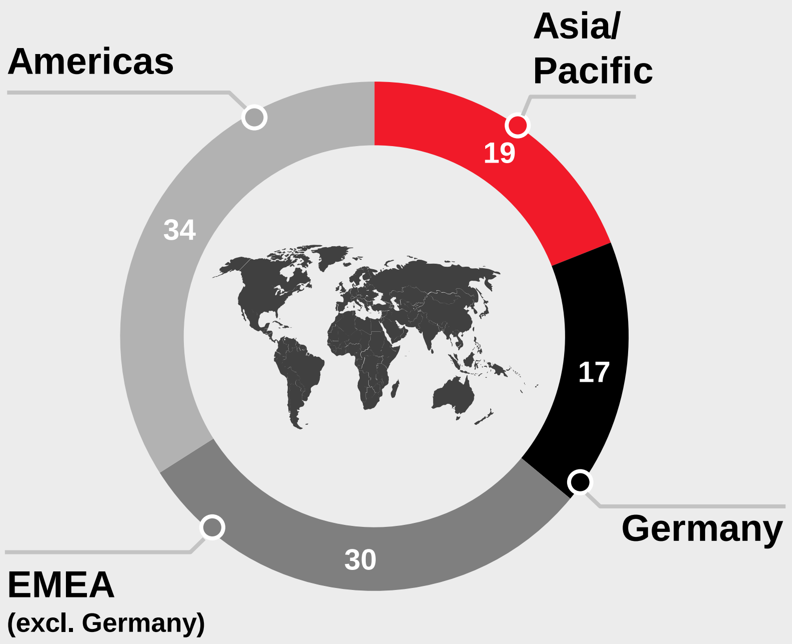
EBITDA pre [€ m]



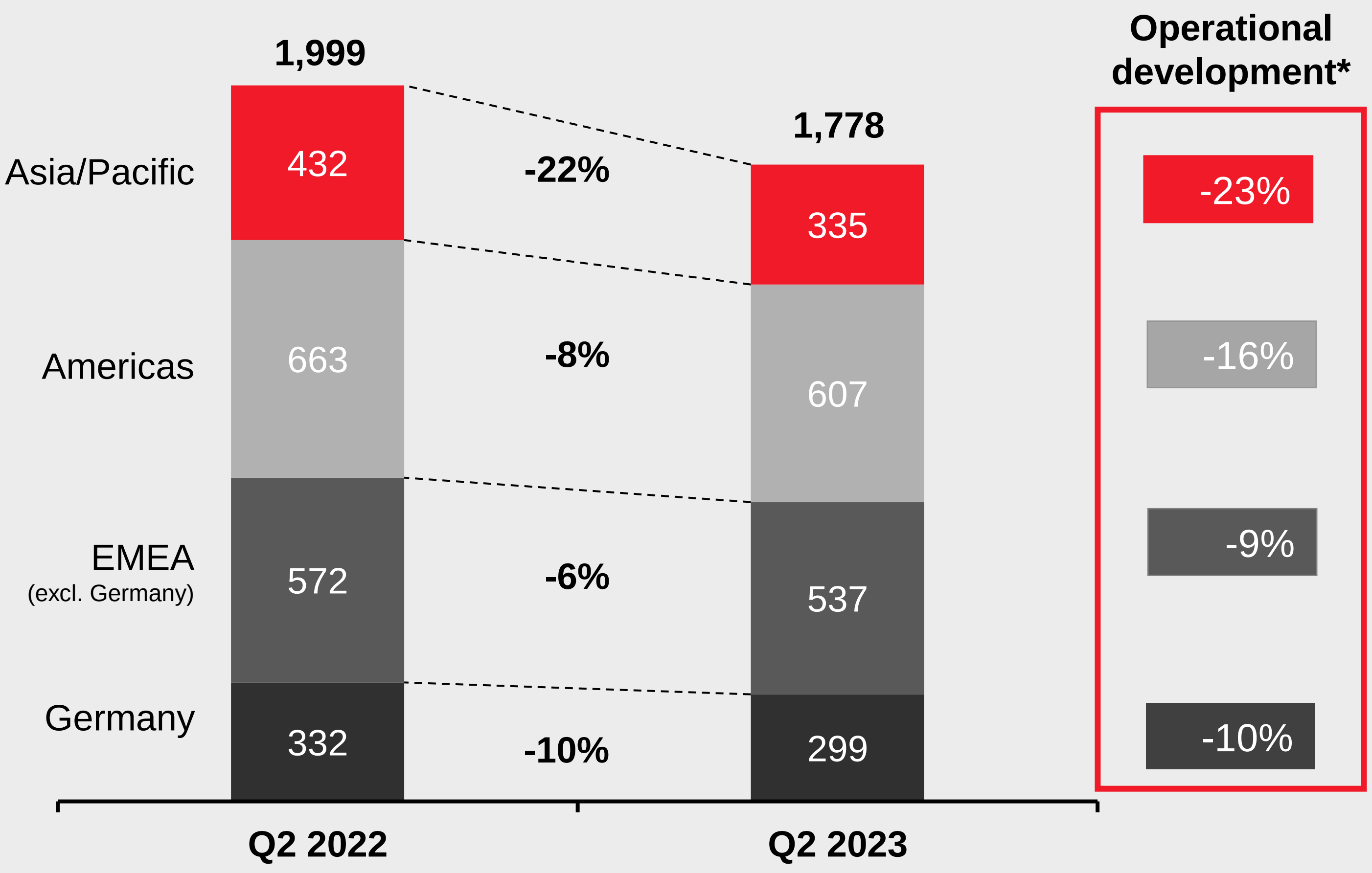
* Total group sales including all other segments

Q2 2023: Weak development in all regions

Q2 2023 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

H1 exceptional items (on EBIT) below previous year level

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[€ m]	Q2/2022		Q2/2023		H1 2022		H1 2023		
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Comments
Strategic Realignment & Restructuring	0	0	**-3**	**0**	-1	0	**-4**	**0**	2022: incl.Emerald Kalama Chem. (EKC) integration 2023: incl. IFF MC integration
M&A, Digitalization (incl. Chemondis) and Others	-11	-1	**-14**	**-1**	-24	-2	**-26**	**-2**	2022: incl. IFF MC acquisition, HPM carve out 2023: IT integration EKC, IFF MC
Strategic IT projects	-14	0	**-10**	**0**	-25	0	**-16**	**0**	incl. SAP Hana Project
Total	-25	-1	**-27**	**-1**	-50	-2	**-46**	**-2**	

LANXESS maturity profile actively managed and well balanced

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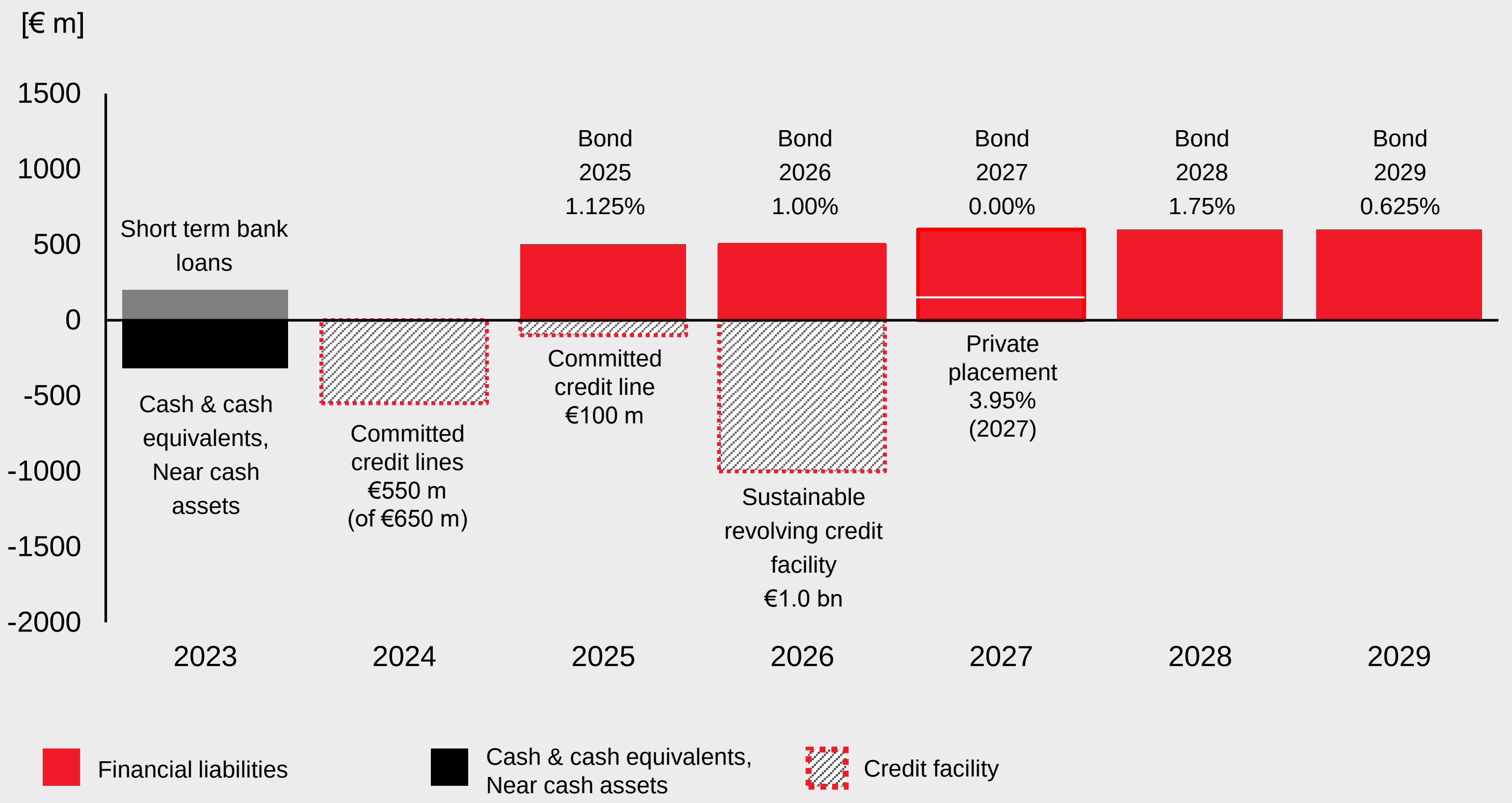
Long-term financing secured

- Diversified financing sources
- Average interest rate of financial liabilities ~1.2%
- Debt reduction after receipt of JV proceeds
- All group financing executed without financial covenants
- Maturities in 2023:
  - Short term bank loans

Liquidity and maturity profile as per 30 June 2023



Housekeeping items 2023

Capex 2023	**~€350 m (prev. ~€400 m)**
Operational D&A	**~€550 m** (thereof ~**€150 m** of intangible amortization effects)
All other segments 2023	**~€150 m (prev. ~€170 m)**
Underlying tax rate	**~27%**
Exceptionals 2023	**~€80 m** based on current initiatives (FORWARD! not yet included)
FX sensitivity	One cent change of USD/EUR resulting in **~€7 m** EBITDA pre impact before hedging

"At-equity" accounting treatment of LANXESS' ~41% share in Envalior

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1 Balance Sheet

- At closing, LANXESS participation valued at ~€1.2 bn in separate line within "non-current assets" (book value = fair value)
- Book value of Envalior investment to change quarterly either through income, other comprehensive income (OCI) or transactions with shareholders, e.g. dividend payments

➡ Change in "Investments accounted for using the equity method" to be expected every quarter (change of the book value of Envalior investment)

2 P&L

- LANXESS to quarterly report ~41% share of Envalior's net income / loss in the "financial result"

Envalior
Imagine the Future

3 Cash Flow

- LANXESS to report a potential dividend of Envalior in cash provided by investing activities (no P&L impact)

LANXESS will report a shortened balance sheet and P/L statement in Annual Report*

* as per IFRS reporting requirements

Fair value of LANXESS participation in Envalior independent from at-equity book value

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Envalior at-equity book value

- Net loss of Envalior expected in coming years:
  - Leverage (LBO structure)
  - Amortization of high intangible assets caused by PPA
- Net loss will reduce Envalior's book value
- Net loss / income reflected in LANXESS financial result, OCI effects separately disclosed

Book value likely to decline

Fair value of at-equity investment

- First exit possibility after 3 years
- Fair value of Envalior participation independent from at-equity book value
- Value determined by already agreed EBITDA multiple
- Should proceeds from the sale of LANXESS' equity share exceed its book value, substantial book gains could be achieved

Fair value determined at exit

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Visit the IR website

Abbreviations

Consumer Protection

MPP	Material Protection Products
F&F	Flavors & Fragrances
SGO	Saltigo
LPT	Liquid Purification Technologies

Specialty Additives

PLA	Polymer Additives
LAB	Lubricant Additives Business
RCH	Rhein Chemie

Advanced Intermediates

AII	Advanced Industrial Intermediates
IPG	Inorganic Pigments

Upcoming events 2023 - Proactive capital market communication

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Aug

04 Q2 2023 Results

Sep

5 Commerzbank & ODDO BHF Corporate Conference Frankfurt

6 Jefferies Industrials Conference New York

19/20 Berenberg & Goldman Sachs German Corporate Conference Munich

21 Baader Investment Conference München

Nov

8 Q3 2023 Reporting